Ontario Food Terminal Board

Financial Statements
March 31, 2014

Ontario Food Terminal Board
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Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Food Terminal Board have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to September 8, 2014.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The independent auditor's report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Bruce Nicholas
General Manager, Secretary Treasurer

Gianfranco Leo
Manager of Administration

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Food Terminal Board
and to the Minister of Agriculture, Food and Rural Affairs
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Food Terminal Board, which comprise the statement of financial position as at March 31, 2014, and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Food Terminal Board as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
September 8, 2014

Gary Peall, CPA, CA, LPA
Deputy Auditor General

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Ontario Food Terminal Board

Statement of Financial Position

As at March 31, 2014

	2014 $	2013 $
Assets		
Current assets		
Cash (note 3)	2,335,055	1,051,689
Short-term investments (note 4)	5,000,000	6,825,372
Accounts receivable	588,488	665,909
Prepaid expenses and supplies	83,039	79,577
	8,006,582	8,622,547
Long-term investments (note 4)	3,000,000	-
Capital assets (note 5)	22,867,503	18,397,276
	33,874,085	27,019,823
Liabilities		
Current liabilities		
Demand loans (note 6)	8,246,083	4,436,858
Accounts payable and accrued liabilities	1,988,401	870,133
Deferred capital contributions (note 7)	483,099	483,099
Deferred revenue	914,455	707,785
	11,632,038	6,497,875
Net Assets		
Net assets invested in capital assets	14,138,321	13,515,332
Unrestricted net assets	8,103,726	7,006,616
	22,242,047	20,521,948
	33,874,085	27,019,823

Commitments (note 9)

On Behalf of the Board

Paul D. Jiminon

Director

Secretary-Treasurer

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Revenue and Expenditures

For the year ended March 31, 2014

	2014 $	2013 $
Revenue		
Rent	7,905,559	7,713,838
Cold storage	2,421,213	2,221,742
Toll fees	720,928	730,599
Buyer access tolls	431,311	433,275
Other income	188,018	141,671
	11,667,029	11,241,125
Expenditures		
Salaries and benefits (note 8)	2,980,127	2,920,142
Electric power	1,950,366	1,712,990
Amortization	1,205,099	1,239,716
Waste removal	1,322,799	1,231,199
Realty and business taxes	850,804	869,081
Repairs and maintenance	450,440	568,801
Insurance	308,628	305,726
Interest	157,107	149,264
Operating supplies and expense	174,499	186,741
Fuel	118,863	99,297
Office	105,678	104,505
Miscellaneous contract services	91,860	78,179
Rent - hydro land	51,929	60,850
Water	59,033	54,602
Legal services	56,315	124,156
Board members' fees and expenses	30,216	20,901
Miscellaneous	33,167	9,048
	9,946,930	9,735,198
Excess of revenue over expenditures for the year	1,720,099	1,505,927

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Changes in Net Assets

For the year ended March 31, 2014

			2014
	Invested in capital assets $	**Unrestricted $**	**Total $**
Net assets - Beginning of year	13,515,332	7,006,616	20,521,948
Excess of revenue over expenditures for the year	(1,205,099)	2,925,198	1,720,099
Invested in capital assets	5,675,326	(5,675,326)	-
Interfund transfer	(38,013)	38,013	-
Additional borrowings on demand loans invested in capital assets	(4,103,349)	4,103,349	-
Repayment of demand loans invested in capital assets	294,124	(294,124)	-
Net assets - End of year	14,138,321	8,103,726	22,242,047

			2013
	Invested in capital assets $	**Unrestricted $**	**Total $**
Net assets - Beginning of year	14,009,817	5,006,204	19,016,021
Excess of revenue over expenditures for the year	(1,239,716)	2,745,643	1,505,927
Invested in capital assets	897,781	(897,781)	-
Interfund transfer	(445,086)	445,086	-
Repayment of demand loans invested in capital assets	292,536	(292,536)	-
Net assets - End of year	13,515,332	7,006,616	20,521,948

The accompanying notes are an integral part of these financial statements.

Ontario Food Terminal Board

Statement of Cash Flows

For the year ended March 31, 2014

	2014 $	2013 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,720,099	1,505,927
Adjustments to reconcile excess of revenue over expenditures to cash provided by operating activities		
Amortization	1,205,099	1,239,716
Gain on sale of capital assets	(3,000)	-
Changes in non-cash working capital balances		
Accounts receivable	77,421	(49,886)
Prepaid expenses and supplies	(3,462)	10,847
Accounts payable and accrued liabilities	1,118,268	333,589
Deferred revenue	206,670	57,976
Deferred capital contributions	-	-
	4,321,095	3,098,169
Investing activities		
Purchase of short-term and long-term investments	(8,000,000)	(6,825,372)
Proceeds from sale of short-term investments	6,825,372	4,768,436
	(1,174,628)	(2,056,936)
Capital activities		
Purchase of capital assets	(5,675,326)	(897,781)
Proceeds on sale of capital assets	3,000	-
	(5,672,326)	(897,781)
Financing activities		
Additional borrowings on demand loans	4,103,349	-
Repayment of demand loans	(294,124)	(292,536)
	3,809,225	(292,536)
Increase (decrease) in cash during the year	1,283,366	(149,084)
Cash - Beginning of year	1,051,689	1,200,773
Cash - End of year	2,335,055	1,051,689
Supplementary information		
Interest paid	157,107	149,264

The accompanying notes are an integral part of these financial statements.

1 Nature of operations

The Ontario Food Terminal Board (the Board), a government enterprise of the Province of Ontario, was incorporated without share capital pursuant to the Ontario Food Terminal Act (the Act), R.S.O. 1990, c O.15 and Ontario Regulations 871, 872 and 65/09 made under the Act. The objects of the Board include the operation of a wholesale fruit and produce market and the acquisition and operation of facilities for the transportation and handling of fruit and produce. To meet these objects, the Board leases land and buildings to wholesalers and growers. The Board is a not-for-profit Classified Agency and is exempt from income taxes.

2 Summary of significant accounting policies

Basis of accounting

The financial statements of the Board are the representations of management prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations (PSAS).

Fund accounting

These financial statements include the following funds:

- unrestricted - includes the cumulative net assets of operating revenue over expenditures; and
- invested in capital assets - represents the net investment in the Board's capital assets, as described in note 5. Amounts required for the purchase of capital assets are transferred from the unrestricted fund to the invested in capital assets fund.

Revenue recognition

Revenue arising from rent, cold storage, toll fees and buyer access tolls is recognized as revenue as services are provided and collectibility is reasonably assured.

Deferred revenue results from the prepayment of rent, stall rentals, parking rentals, buyers' access cards and office rentals and are recognized as revenue over the rental term.

Deferred capital contributions externally restricted are deferred and amortized into revenue in accordance with the amortization policy applied to the related capital asset recorded.

Other income consists of interest income and other income and recognized as revenue when earned.

Expenditures

Expenditures are reported net of recoverable sales tax.

Short-term and long-term investments

Investments are guaranteed investment certificates (GICs) and are carried at amortized cost in the financial statements. Investment income is included in the statement of revenue and expenditures.

The carrying amount of the GICs approximates the market value at year end.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is provided on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Equipment	5 to 20 years
Parking deck and retaining wall	4 to 40 years

Amortization of construction-in-progress will commence when the construction is substantially complete and the asset is put into use.

Impairment of long-lived assets

The Board reviews the carrying amount, amortization and useful lives of its capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of revenue and expenditures.

Financial instruments

The Board initially measures its financial assets and financial liabilities at fair value. The Board subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of revenue and expenditures.

Financial assets measured at amortized cost include cash, short-term and long-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and demand loans.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3 Cash

Cash at year-end consists of:

	2014 $	2013 $
Cash at bank	2,335,055	988,708
Restricted cash	-	62,981
	2,335,055	1,051,689

The Board has internally restricted $nil (2013 - $62,981) of cash received from the Ontario Ministry of Agriculture, Food and Rural Affairs, and the related interest earned, for the pre-construction/site preparation costs of the possible expansion of the Ontario Food Terminal.

4 Investments

	2014 $	2013 $
Bank of Montreal, prime less 1.75% (2013 - 1.65%) GIC, due on October 24, 2014	5,000,000	6,825,372
Bank of Montreal, prime less 1.80% GIC, due on April 30, 2015	3,000,000	-
	8,000,000	6,825,372
Less: Classified as short-term	5,000,000	6,825,372
	3,000,000	-

5 Capital assets

			2014
	Cost $	Accumulated amortization $	Net $
Land	275,604	-	275,604
Land improvements	2,207,759	1,887,497	320,262
Buildings	26,733,727	13,417,035	13,316,692
Equipment	3,379,293	3,135,378	243,915
Parking deck and retaining wall	6,903,576	4,210,542	2,693,034
Construction-in-progress	6,017,996	-	6,017,996
	45,517,955	22,650,452	22,867,503

			2013
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Land	275,604	-	275,604
Land improvements	2,146,750	1,819,991	326,759
Buildings	26,409,388	12,738,443	13,670,945
Equipment	3,369,357	3,011,354	358,003
Parking deck and retaining wall	6,886,076	3,918,766	2,967,310
Construction-in-progress	798,655	-	798,655
	39,885,830	21,488,554	18,397,276

6 Demand loans

Demand loans comprise the following:

	2014 **$**	**2013** **$**
Demand loan, non-revolving with a maximum borrowing amount of $4,290,589, bearing interest at prime plus 1/4%, monthly repayments of $24,378 principal plus interest; this loan is used to primarily finance capital expenditures	4,144,322	4,436,858
Demand loan, non-revolving with a maximum borrowing amount of $8,763,982, bearing interest at prime plus 1/4%, monthly repayments of $36,517 principal plus interest commencing no later than September 2014, interest only monthly payments during construction of capital assets; this loan is used to primarily finance capital expenditures	3,367,982	-
Demand loan, non-revolving with a maximum borrowing amount of $2,000,000, bearing interest at prime plus 1/4%, monthly repayments of $8,333 principal plus interest; this loan is used to primarily finance capital expenditures	733,779	-
	8,246,083	4,436,858

The Board has a revolving line of credit to a maximum availability of $1,000,000, which bears interest at the bank's prime rate. As at March 31, 2014, the Board had no borrowings outstanding under these facilities (2013 - $nil).

All of the above loans are supported by a letter of undertaking not to sell, further mortgage or otherwise encumber the property located at 165 The Queensway.

As at March 31, 2014, there are externally imposed debt covenants with respect to the Board's external bank loan. All covenants have been complied with as at March 31, 2014.

7 Deferred capital contributions

In 2011, the Board received a one-time contribution of $500,000 from the Ontario Ministry of Agriculture, Food and Rural Affairs. As at March 31, 2014, $500,000 (2013 - $62,981 had not been spent) has been spent. The deferred capital contributions have not been amortized into revenue as the related asset is still under construction.

	2014 $	2013 $
Balance - Beginning of year	483,099	483,099
Less: Contributions recognized during the year	-	-
Balance - End of year	483,099	483,099

8 Self-directed Registered Retirement Savings Plan (RRSP)

The Board offers its full-time employees a self-directed RRSP whereby employees make a minimum contribution of 5% of their pay. The Board contributes a matching amount up to a maximum of 6% for employees with over 15 years of service and 5% for all other eligible employees. The expense for the year under this RRSP was $91,056 (2013 - $91,555) and is included in salaries and benefits.

9 Commitments

The Board leases land for vehicle parking space under an operating lease. The future annual minimum lease payments are as follows:

	$
2015	64,487
2016	68,209
2017	68,636
2018	68,478
2019	71,315
Thereafter	379,182
	720,307

10 Financial instrument risk

The Board holds instruments that are subject to credit risk and liquidity risk.

Credit risk

Financial instruments that potentially subject the Board to concentrations of credit risk are cash and investments. The Board places its cash in interest bearing accounts and instruments insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into known amounts of cash.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities.

All of the Board's investments are considered to be readily realizable, as they can be quickly liquidated at amounts close to their fair value in order to meet liquidity requirements.

11 Contingencies

From time to time, lawsuits and claims have been brought against the Board, the outcome and ultimate disposition of which are not determinable at this time, and accordingly no provision has been made in these financial statements for any liability that may result. In addition, the Board believes the resulting outcome would not have a material effect on the financial position or the statement of revenue and expenditures of the Board.